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DE RUEHBW #0745/01 2061907
ZNR UUUUU ZZH
P 241907Z JUL 08
FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC PRIORITY 0194
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RHEHNS/NSC WASHDC
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
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UNCLAS SECTION 01 OF 03 BELGRADE 000745

SENSITIVE
SIPDIS

E.O.12958: N/A

TAGS: [PGOV](#) [PREL](#) [EINV](#) [SR](#)

SUBJECT: SERBIA: KEY MUNICIPAL GOVERNMENTS FORMED, BELGRADE STILL
PENDING

REF: BELGRADE 648 AND PREVIOUS

Summary

1. (SBU) After more than two months of negotiations, many key municipalities in Serbia have now formed their new local governments. Many local coalition agreements were dependent on the formation of the national coalition government, which took place July 7. Only in Central Serbia and Vojvodina, where there were either clear-cut local victories by one party or "natural coalitions," were local governments able to form more quickly. Noticeably absent, however, are both Belgrade and the central Serbian city of Nis (Serbia's third largest city), where negotiations continue. Ultimately, the stability and competency of these local governments will be tested by their ability to work with their local coalition partners and with the central government to deliver needed economic opportunities to their localities. End Summary.

Constitutional Changes Slow Municipal Process

2. (SBU) The current process for forming local governments has taken longer than it did following the last round of municipal elections in 2004, when mayors were directly elected. In addition to many municipalities waiting for the July 7 formation of the republican government, the current process was further slowed by constitutional and legal changes in the procedure for choosing mayors. With the adoption and implementation of Serbia's new Constitution in 2006 and the implementation on the law on local government in 2007, Serbia changed the method of selecting mayors from direct, popular election, to election by local assemblies. These legal changes further consolidated the power of political parties, and resulted in some popular mayors falling from power in certain cities, such as Novi Sad.

Novi Sad

3. (U) The Vojvodina city of Novi Sad was one of the earliest municipalities to form a new government. On June 16, the Novi Sad city assembly elected a new mayor and speaker of the assembly. The DS-led coalition For a European Novi Sad, the LSV-led coalition Together for Novi Sad, and the Hungarian Coalition formed a government with 41 of 78 seats in the assembly. The new mayor, Democratic Party (DS) Igor Pavlicic, replaced former Serbian Radical Party (SRS) mayor Maja Gojkovic. The assembly elected Aleksandar Jovanovic, head of the League of Vojvodina Social Democrats (LSV), as speaker.

4. (SBU) Jovanovic told us on June 27 that the ruling coalition's goal was to get Novi Sad's economy, stalled during four years of Radical rule, back on track. To that end, the coalition's priorities were to build infrastructure, including a new railway

bridge and the Horgos-Pozega highway, revive the development of an industrial park, expand the service sector, and attract tourism and investment to the city.

15. (SBU) Pavlicic echoed many of the same themes in a July 2 meeting, emphasizing that after four years of Radical rule city hall was now "open for business" with foreign investors. Heineken had already purchased a local brewery that it planned to use as a regional distribution center, and other potential investors were calling. Pavlicic also outlined plans to expand the tax base, downsize the public sector, and curb corruption. He said that the results of the May 11 elections were not an indication of major shifts in party allegiances, but were due to high turnout among DS voters (who are carefully tracked and cultivated by the local party organization) and low turnout by SRS voters. Gojkovic, who capitalized on her considerable popularity as mayor to win seven seats in the local assembly after breaking with the SRS prior to January's presidential elections, by her own account, drew support from Radical voters, youth, LDP supporters, and the undecided. In a June 27 conversation with poloffs, Gojkovic speculated that her group would have won an outright majority in Novi Sad, had national issues such as Kosovo and the EU not overshadowed local concerns.

Cacak

16. (SBU) In the central Serbian city of Cacak, the hometown of the former infrastructure Minister Velimir Ilic and stronghold of his New Serbia party (NS), the city assembly formed a government on June 12. The local government composed of NS, Democratic Party of Serbia (DSS), the Socialist Party of Serbia (SPS), and the Radicals (SRS), controls 45 of 75 seats in the city assembly. The assembly elected Velimir Stanojevic (NS) mayor for the second consecutive term, while

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Veljko Negovanovic of SPS was elected speaker of the assembly.

Novi Pazar

17. (SBU) In the predominantly Muslim Sandzak city of Novi Pazar, the local assembly formed its government on July 7. A local coalition of strange bedfellows was formed between Social Welfare Minister Rasim Ljajic's Sandzak Democratic Party (SDP) and the local United Serbian list, which is composed of the SRS, DSS, NS and SPS. This ruling coalition controls 29 out of 47 seats in the city assembly. Mirsad Djerlek of SDP, who is a medical doctor by profession, was elected mayor, while Milan Veselinovic, head of the local Radical Party branch, was elected assembly speaker.

18. (SBU) Negotiations on forming the national level government had significant repercussions for Sulejman Ugljanin's Party of Democratic Action (SDA) in Novi Pazar. SDA, which had run the city for the past decade, could have remained in power with the support of the United Serbian List. SDP Secretary General Mirsad Jusufovic told us on May 20 that both DSS and NS were adamant to "punish Ugljanin" for supporting President Tadic's DS rather than them in forming a national government with the Radicals. In return for his DS support, Ugljanin was awarded a ministerial position in the new government (reftel) but ultimately surrendered control of Novi Pazar to the SDP. Although the SDA is currently in opposition in the city assembly, Ugljanin said he expected the SDA would ultimately replace the SRS and DSS in the city government coalition. "We will work as a team" with the SDP, Ugljanin told local media on July 12. Djerlek, however, told us on July 21 that he expected the SDP-United Serb List coalition would be stable for the foreseeable future, emphasizing that the coalition showed his commitment to multi-ethnicity in Novi Pazar.

19. (SBU) Belying Ugljanin's assertions that he and SDA would return to the municipal government, Belgrade is rife with reports that Ugljanin and his people had stripped bare the Novi Sad municipal offices. "They even took the curtains" SDP whip Meho Omerovic told us.

South Serbia

¶10. (SBU) Local governments in two Albanian-majority towns of South Serbia were constituted hours before the deadline that would have resulted in new elections. The towns of Presevo and Bujanovac both created mono-ethnic local authorities, to the dissatisfaction of local Serb leaders and the Government of Serbia's Coordination Body. In Vranje, less than 25 miles away, the DS-led coalition governs the nearly homogeneous Serb population.

¶11. (SBU) After several unsuccessful attempts, Presevo's municipal assembly finally elected a speaker on July 12. After two months of negotiations, MP Riza Halimi's Party for Democratic Action (PDA) and the rival Democratic Party of Albanians (DPA) of former Presevo Mayor Ragmi Mustafa united to form a majority government. Ragmi Mustafa was elected speaker of the assembly. On July 22 the new assembly elected its new mayor -- Nadir Sadiku of PDA. The new coalition has an overwhelming majority of 25 of 38 seats in the assembly. Though both Halimi and Mustafa told us of their parties' commitment to long-term cooperation, local politicians doubt the longevity of the new coalition. Skender Destani of the Democratic Union of the Valley (Halimi's coalition partner in 2007 parliamentary elections) told us on July 15 that DPA and PDA's diametrically opposed positions regarding cooperation with state institutions, alone, would undermine coalition stability in short order; he said his priority would be to tear it down. (Both Halimi and Mustafa said that Destani's demands for a disproportionate share of the government seats and power had left his party out in the cold -- at least for the time being.)

¶12. (SBU) During its July 13 session, the Bujanovac assembly formed a municipal majority composed of PDA, the Movement for Democratic Progress (MDP) led by Jonuz Musliu, and the Democratic Union of Albanians (DUA) led by Mejdi Zeqiri. The new ruling coalition controls 22 out of 41 seats in the municipal assembly. Shaip Kamberi of PDA was elected mayor and Musliu was elected assembly speaker. Previous negotiations with the Democratic Party (DS) and a Serb citizens' group failed to reach agreement on a multiethnic government. Kamberi told us on July 14, however, there was still room for a "technical coalition" with the DS and that the coalition had reserved three posts in the local government and control of two state-owned enterprises for Serbs. Nagip Arifi of PDA told us on July 24 that negotiations with DS were still ongoing. Local Serb leader Stojanca Arsic and Sima Gazikalovic of Serbia's Coordination Body office in Bujanovac, however, criticized PDA's attempt set-asides as "not serious" and "humiliating."

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Belgrade and Nis

¶13. (SBU) The Serbian capital and the third largest city, Nis, are still without new governments with deadlines for imposing temporary measures and having new elections quickly approaching.

¶14. (SBU) Belgrade's city assembly met on July 14 to verify mandates; it adjourned without electing officers due to lack of a coalition agreement. Despite numerous previous statements by DSS, SRS and SPS leaders that they would form the city government, the SPS backed out of the deal on July 13 on the grounds that it would jeopardize the newly formed SPS-DS national coalition government. The assembly met again on July 21 and elected Branislav Belic (DS), the oldest member, as interim speaker, with the support of the DS, SPS, and LDP. The move extends the formal deadline to complete the city government by electing a mayor until August 22. The next session has been called for July 28, however, at which time most observers expect the final details of the coalition agreement to be ironed out and Dragan Djilas (DS) to be elected mayor.

¶15. (SBU) The new Nis city assembly verified mandates on July 14 but was also unable to form a city government. Negotiations among DS, SPS and G-17 Plus stalled over the distribution of positions in public companies. The deadline for constituting Nis's city assembly is August 4.

COMMENT

¶16. (SBU) After taking so long to form their local governments, Serbia's municipal leaders must focus on improving local governance and delivering on election promises. However, the very nature of some of these local coalitions makes it probable that party politics will continue to interfere. The continued absence of municipal governments in Belgrade and, to a lesser degree, Nis will also have a significant impact on Serbia's economy and political stability. These key cities need to form coalition governments soon that are able to work with the new central government in order for Serbia to begin moving toward Europe. That dastardly types such as Novi Pazar Mayor Ugljanin have been replaced by the electoral process is an encouraging sign that Serbia continues to develop as a democracy.
End comment.

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